



Pro-Poor
Livestock
Policy
Initiative

Livestock market access and poverty reduction in Africa: the trade standards enigma

A discussion paper

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PREFACE

This report is one of a series of Working Papers prepared for the Pro-Poor Livestock Policy Initiative (PPLPI). The purpose of these papers is to explore issues related to livestock development in the context of poverty alleviation.

Livestock is vital to the economies of many developing countries. Animals are a source of food, particularly protein for human diets; they provide income, employment and are important assets for the poorer sectors of many societies. For low-income producers, livestock can serve as a store of wealth, provide draught power and organic fertilizer for crop production and a means of transport. Consumption of livestock and livestock products in developing countries is increasing, and many regions of the developing world have the natural resources necessary to improve livestock productivity.

Of particular importance to this study is the role of livestock products as commodities of trade, responding to the demand and higher prices that many external markets offer, and at the same time providing important contributions to the national economies in poorer countries. But this opportunity is not without its threats. Much of the Western world has, over the last half century in particular, invested an enormous amount of money in controlling and eradicating many infectious diseases of livestock, and building up populations of healthy and highly productive animals, the products derived from which earn them very large sums of money on world markets. Such countries are not about to take risks that could threaten their animal health status, and their healthy domestic and export markets.

Many countries of the developing world possess abundant livestock resources, and wish to participate in regional and international trade. But for many such developing countries, the presence of infectious animal diseases makes potential trading partners think twice about importing their livestock products, understandably. What is needed is a balance between the indisputable need to keep animal diseases out of countries from which they have been eradicated, but at the same time seek ways to promote the safe trade of livestock products from developing countries.

In this report we pay particular attention to standards that are set on the quality and safety of traded commodities, and the processes applied to certify that standards set have been duly met. New market access opportunities are manifold, and operate at several different levels. They include a growing demand in expanding urban centres, in emerging supermarkets, in commodities for the export trade, and in niche markets (domestic, regional and international). At all of these levels there is the potential for improvements in product quality, so opening the door to earning a higher price per unit of commodity. At the export and niche market levels in particular, the opportunities include production and marketing of organic, welfare-enhanced (free-range) and fair trade products, and of products with a low (and measurable) carbon footprint.

Key to all of these improvements is satisfying the customer in terms of taste, quality and price, and beyond that minimising any health risks to customers, to the general

public and to other livestock populations. For the latter three categories there is a growing inventory of standards that need to be met, depending on the market, and a need for processes of certification that assures both the customer and the public that these standards have indeed been met.

How appropriate are the current standards applied at different market levels, and how can we ensure that standards designed to protect the public at large are not prohibitive to competitive and quality-conscious smallholder producers, to developing country production conditions and to national aspirations for sustainable and inclusive growth (also referred to as pro-poor growth)?

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None of the individuals mentioned above are responsible for the views expressed in this report, or for any inaccuracies, as that responsibility rests with the authors alone.

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LIST OF ACCRONYMS

BSE	Bovine spongiform encephalopathy
Codex	<i>Codex Alimentarius</i> Commission (Codex)
CBPP	Contagious bovine pleuropneumonia
CBT	Commodity based trade
CVO	Chief Veterinary Officer
EC	European Commission
EU	European Union
EurepGAP	European Retailers' Protocol for Good Agricultural Practice
FAO	Food and Agriculture Organization (United Nations)
FMD	Foot and mouth disease
GATT	General Agreement on Tariffs and Trade
GFSI	Global Food Safety Initiative
HACCP	Hazard Analysis and Critical Control Point system
ILRI	International Livestock Research Institute
IPPC	International Plant Protection Convention
ISO	International Organization for Standardization
ISSO	International Standard-Setting Organizations
LID	Livestock in Development
NGO	Non-Governmental Organization
NORAD	Norwegian Agency for Development Cooperation
OECD	Organisation for Economic Cooperation and Development
OIE	<i>Office International des Epizooties</i> (World Organization for Animal Health)
RVF	Rift Valley fever
SPS	Sanitary and Phytosanitary
TAHC	Terrestrial Animal Health Code
UAE	United Arab Emirates
WHO	World Health Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

This report presents a scoping study undertaken for the Food and Agriculture Organisation (FAO) Pro-Poor Livestock Policy Initiative (PPLPI) on the threats and opportunities posed to developing countries and the various market actors in them by changing standards for livestock commodities, and the need to certify compliance with these standards.

New market access opportunities are manifold, and operate at several different levels. They include a growing demand in expanding urban centres, in emerging supermarkets, in commodities for the export trade, and in niche markets (domestic, regional and international). At all of these levels there is the potential for improvements in product quality, so opening the door to earning a higher price per unit of commodity. At the export and niche market levels in particular, the opportunities include production and marketing of organic, welfare-enhanced (free-range) and fair trade products, and of products with a low (and measurable) carbon footprint.

This report considers how appropriate the current standards applied at different market levels might be, and how can we ensure that standards designed to protect the public at large are not prohibitive to competitive and quality-conscious enterprises in developing countries, to developing country production conditions and to national aspirations for sustainable and inclusive growth (also referred to as pro-poor growth).

This report attempts to address these issues by reviewing the standard setting landscape, and the inputs and observations derived from two regional workshops conducted in Africa.

There are limited opportunities for smallholder livestock producers in Africa to access international markets. It appears that the major market opportunities for livestock products in most countries of Africa are at the domestic and regional levels within the continent. International market access is therefore unlikely to play a major role in poverty reduction, at least in the foreseeable future.

Considerable attention has been given to the concept of commodity-based-trade in livestock products, and the prospects for expanding export of de-boned beef from African countries where FMD-free zones do not exist, through compartments and/or systems comprising quarantine, testing, feedlots, slaughter, processing and packing. This attractive concept is severely constrained by several factors. These include the lack of rigorous data on the risks of survival and possible transmission of FMD and other viruses in products emerging from such systems, the constraints in guaranteeing reliable and sustained commodity supply, and the lack of competitiveness in destination markets. Comparisons have been drawn with the successes of the African horticulture industries in their exports to Europe, but there is no comparable out-of-season demand for livestock products, however. Furthermore, the disparity between the West and developing countries on the role of livestock, the environmental controversies over air transportation of commodities over long distances, and the overarching concern about animal disease transmission have further limited the development of CBT in livestock commodities.

The limited external market opportunities for livestock commodities that do exist can likely aid processes of poverty reduction through contributions to national GDP, employment opportunities and other domestic spill-over effects on higher quality and safer food products, and these impacts are more likely to benefit consumers, traders and other value chain actors than smallholder livestock producers. The exporters engaged in such trade are likely to be reputable, well-resourced companies that will apply the standards developed for export to their domestic product outlets. Such export opportunities will have the potential to serve as a role model, helping to build domestic market and processing infrastructures and raising the game of the livestock sector as a whole.

Compared to the horticulture sectors in eastern, central and southern Africa, there is a severe paucity of sector coordination and facilitation bodies to champion, advise and promote appropriate institutional arrangements for export-orientated enterprises, and to advise on achieving standards and certification. The few enterprises that have taken advantage of the limited export opportunities have tended to adopt various degrees of vertical integration to be able to deal effectively with the rigours of the international market place.

Where successful export enterprises have been developed in the horticulture and the livestock sectors, they have been driven almost exclusively by the private sector. The horticulture sector provides an impressive role model for the types of institutional architecture, capacities and communication arrangements that are required by the growing livestock sectors wishing to engage more with international trading partners.

While there is a significant cost to complying with SPS standards for sustained access to international markets, these may be dwarfed by other costs such as feeding and other services necessary to ensure that emerging products are competitive in the recipient market.

Beyond standard SPS issues, there is a continually changing and widening landscape of standards to be achieved, including those related to carbon footprints, animal welfare, etc. Livestock enterprises engaged in export markets must develop capacities to respond to this changing landscape.

Several examples of international trade in Africa, beyond those developed under the EPA's of certain southern African countries with the EU, have used private standards to substantiate the quality and safety of their products in developing and maintaining bilateral trading partnerships outside Africa. The accreditation achieved through international ISO member organisations has thereafter been endorsed by the national ISO bodies and the national veterinary departments (the competent authority in OIE terminology).

The WTO and the OIE have taken a very strong and negative approach towards private standards. However it appears that they have bulked all private standards together, not differentiating between the contrasting roles played by European supermarkets, for example, in a top-down approach, and the supportive bottom-up roles of some of the ISO-associated bodies at national levels in African countries. These have helped budding livestock enterprises to enter negotiations with external trading partners, and the standards achieved have subsequently been endorsed by national veterinary authorities. Bottom-up private standards are therefore seen as a useful springboard to entering trading partnerships.

Top-down private standards from organisations such as Globalgap and the Global Food Safety Initiative do appear to play a valuable role in providing support to retailing and producer organisations, in benchmarking agricultural practice standards and safety management system, and in communicating and debating standard attainments, processes essential for improving market access. They do not at present play any discernable role in livestock commodities from developing countries in Africa, but could potentially in future. It is considered that they could be both restrictive, in demanding high agriculture practice and system safety standards, but could also have the effect, as has been the case in the horticulture sector, of 'raising the game' in developing countries. The development of coordination and brokering organizations as interlocutors will be an essential component of capacity development.

There continues to be a substantial divide between the public and private standard setting bodies. Condemnation of one side by the other is not in the global public interest. Perry et al. (2005) called for "a meeting of the minds between the standard-setters and the traders", but it appears that five years later this has yet to be achieved. It is indeed encouraging that OIE has established an expert *ad hoc* group on private standards for sanitary safety and animal welfare to explore the current and possible future problems and benefits presented by private standards for sanitary safety and animal welfare in regard to international trade. This group will reconvene in May of 2010. It will be very important to the interests of safe trading opportunities for all that public and private standard setting bodies clearly identify the roles that each have to play, and work together in the interests of the public at large.

1. INTRODUCTION

This report presents a scoping study undertaken for the Food and Agriculture Organisation (FAO) Pro-Poor Livestock Policy Initiative (PPLPI) on the threats and opportunities posed to developing countries and the various market actors in them by changing standards for livestock commodities, and the need to certify compliance with these standards. It comes at a time when concern is being expressed about the ability of the world to meet the Millennium Development Goals of halving poverty by the year 2015, and when considerable global interest is being expressed in the role of greater market access for agricultural products from the developing world in helping to meet this target.

Livestock play an important role in the lives and livelihoods of more than 600 million of the poorest people on earth. The poor in developing countries derive a larger proportion of their incomes from livestock than do the wealthier. Even the landless can keep livestock and the smaller, less demanding livestock species, such as poultry and goats, are often kept by women, children and other marginalised sectors of the population. Informal trade in livestock products can make an important contribution to incomes of poor households and provides poor consumers with products they can afford and often prefer.

Coupled with this importance of livestock is a substantial growth in the demand for livestock products, resulting from the combination of an increasing human population, a rising standard of living in a growing middle class in many African countries, and the growth of supermarkets.

New market access opportunities are manifold, and operate at several different levels. They include a growing demand in expanding urban centres, in emerging supermarkets, in commodities for the export trade, and in niche markets (domestic, regional and international). At all of these levels there is the potential for improvements in product quality, so opening the door to earning a higher price per unit of commodity. At the export and niche market levels in particular, the opportunities include production and marketing of organic, welfare-enhanced (free-range) and fair trade products, and of products with a low (and measurable) carbon footprint.

Key to all of these improvements is satisfying the customer in terms of taste, quality and price, and beyond that minimising any health risks to customers, to the general public and to other livestock populations. For the latter three categories there is a growing inventory of standards that need to be met, depending on the market, and a need for processes of certification that assures both the customer and the public that these standards have indeed been met.

This report considers how appropriate the current standards applied at different market levels might be, and how it can be ensured that standards designed to protect the public at large are not prohibitive to competitive and quality-conscious enterprises in developing countries, to developing country production conditions and to national aspirations for sustainable and inclusive growth (also referred to as pro-poor growth).

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2. LIVESTOCK PRODUCTS: MARKET DEMAND DIVERSITY AND SUPPLY DYNAMICS

Over the past few decades there has been a shift in the source of the world's livestock products. Steinfeld et al (2006) analysed increases in livestock output in terms of livestock production systems, comparing data for 1991-93 with 2001-03. They reported that during this period, global output of cattle and small ruminant meat increased by around a tenth, with the largest increases occurring in mixed crop-livestock systems¹ in humid zones. Global output of pork, meanwhile, increased by around one-third, with the increase mostly occurring in the humid and temperate mixed irrigated system in Asia. For poultry meat, global output increased during this ten-year period by three-quarters, due to an expansion of industrial systems, especially in Asia.

Of all countries that had at least a 1% share of global meat production in either 1979/1981 or 2004, six countries increased their share of global meat production: Brazil, China, India, Mexico, Spain and Viet Nam - all but one of which are developing or emerging countries. During this period, China displaced the USA as the world's largest meat producer and in 1995, for the first time, more meat was produced in developing than developed countries (Steinfeld et al, 2006). By 2007 it was estimated that 60% of meat was produced in developing countries (Halweil, 2008).

Per capita livestock product consumption

In the developed world during the period 1963-2003, the per capita consumption of beef and eggs was static, consumption of milk and pork increased only slightly, and consumption of mutton and goat meat decreased. During this 40 year period, of all livestock products, only per capita consumption of poultry increased significantly - by a factor of 4.5. Meanwhile in the developing world, per capita consumption of beef and milk doubled and consumption of eggs, pork and poultry all increased significantly, albeit from a very low starting point.

Despite these increases, per capita consumption of livestock products in developing countries remains significantly lower than in developed countries: in 2003, on average, a person living in the developed world consumed 4-times as much beef, 1.5-times as many eggs, more than 4-times as much milk, 2.5-times as much pork and 4.5-times as much poultry as their developing country counterparts. The recommended daily allowance for women is 46 g protein per day and for men 56 g protein per day (IOM, 2002); current levels of consumption in developing countries are significantly below these values.

Looking at per capita consumption in the regions within the developing world during this same period, 1963-2003: in sub-Saharan Africa beef consumption decreased by half, milk consumption remained static and consumption of all other livestock products remained at very low levels; in East and South East Asia consumption of beef, eggs, milk and poultry all increased from a low starting point, while pork consumption tripled; in South Asia milk consumption nearly doubled, beef consumption increased from a low starting point and all other products remained at a very low level of consumption; and in Latin America beef consumption was static, consumption of milk, eggs and pork all increased, with consumption of poultry showing a particularly steep increase.

¹ Mixed farming systems are defined as livestock systems in which more than 10% of the dry matter fed to animals comes from crop by-products such as stubble, or where more than 10% of the total value of production comes from non-livestock farming activities.

These results again indicate that distribution of the benefits of the Livestock Revolution were patchy: the largest increases in per capita consumption were experienced in East and South East Asia, especially China, which saw substantial increases, especially in pork and poultry consumption; in India for milk; and in Latin America, especially for poultry.

Changing patterns of production, processing and marketing of livestock products

Trends in developed countries

In developed countries there has been a trend towards fewer larger farms, larger flocks and herds, higher productivity, more mechanization and less agricultural-based employment, particularly during the second half of the 20th century.

In 1944 there were more than 25.6 million cows on US dairy farms; fifty years later there were just 9.2 million. In the 1940s, more than 4.5 millions farms kept an average of five cows; by 1999 the number of farms keeping cows had dropped to around 111,000 with an average herd size of 82 and more than half of all milk produced came from farms with more than 200 cows. Between 1925 and 1999, average yield per cow increased by more than a factor of four, and total output increased by more than 80%. The number of farm jobs halved between 1950 and 1970, and continued to decline thereafter, albeit at a much slower rate; in 1950 agriculture accounted for nearly 16% of jobs, but by 1992 this had declined to less than 3% (Smith and Brouk, 2001).

In many European countries, average farm size, by area, more than doubled during the period 1970-2002 (Nagayets, 2005). Agriculture accounted for little more than 1% of the UK's work force by 2003, the lowest proportion in the EU, and just 0.6% of GDP (ILO, 2006; Nelson and Halderman, 2004). Other than in parts of central and eastern Europe - where the number of small farms increased following the break-up of the Soviet Union and the shift from collective to private agriculture - small-scale farms largely persist to meet demand for niche products, such as welfare-enhanced and organic, or as 'hobby farms'. In the latter example, the owners are not economically dependent on their farming enterprises, rather they form part of a 'back-to-nature' lifestyle choice. Similar trends have occurred with processing, distribution and retailing. Small-scale enterprises that exploit niche markets survive, but elsewhere the trend is towards scale increases and dominance by decreasing numbers of very large processors and retailers.

In the UK since the 1960s, small independent and specialist food shops have steadily lost market share to supermarkets, although this trend accelerated in the 1980s and 1990s with the advent of large, out-of-town superstores. In 1990, when there were an estimated 15,000 specialist butcher outlets, supermarkets accounted for 40% of beef sales; by 2001, by when the number of butchers had decreased by almost half, supermarkets' share of the beef market had almost doubled, accounting for more than three-quarters of sales (Mead, 2003). Recently in the UK, in response to higher food prices, budget 'no-frills' supermarkets have increased eased their market share at the expense of the larger mainstream supermarkets.

Although the mass market is for cheap, convenient products - such as intensively reared, fresh or frozen poultry bought cheaply in supermarkets - a minority of more discerning, usually more affluent consumers, are prepared to pay sizeable premiums for products they perceive to be of higher 'quality', such as traditional breeds reared under certified free-range, welfare enhanced and/or organic conditions, processed and sold locally by artisan butchers, farmers' markets and farm shops. There is also strong growth in the market share of fair trade products, although this is not yet significant in the livestock products sector.

Trends in developing countries

Increased consumption and production of livestock products in developing countries over the past few decades could have represented either an opportunity or a threat for poor and small-scale livestock keepers, processors and market agents. Previous studies have suggested that livestock form a component of the livelihoods of a majority of the world's rural poor (LID, 1999), and have noted that livestock are one of the few commodities produced by small-scale farmers for which demand was growing and therefore represented a potential pathway from poverty.

Wherever rural poverty persists and non-farm employment options remain limited, small-scale mixed crop-livestock systems also persist. Globally, it is estimated that 90% of milk and 70% of ruminant meat is still produced in mixed systems, as are more than a third of pig and poultry meat and eggs. Mixed crop-livestock systems thus continue to make important contributions to the livelihoods, incomes - livestock typically generate up to one-third of income - and food and nutritional security of the rural poor (Costales et al., 2009). But as urban demand in developing countries has grown, value chains for livestock products have become more complex and food quality standards increasingly stringent.

In the poorest countries, consumption and production of meat and milk has been static, or has actually decreased over recent decades. In these countries livestock production remains largely unchanged: livestock are still kept under traditional management systems by poor and small-scale farmers for whom they represent an important safety net as both a source of high-quality food and of cash in times of need. In these systems non-tradable livestock products and functions remain important and livestock husbandry tends to be a sideline to complement crop farming. Livestock products are processed and marketed largely through informal systems. Nevertheless, albeit small, even in these countries an emerging urban middle-class has stimulated a fledgling formal market that supplies certified, often more processed and packaged products through formal marketing systems.

In poor countries with pastoralist populations, traditional herders support subsistence livelihoods and sell live animals through local markets. In some countries in the Horn of Africa and the Sahel, pastoralists also supply cattle, sheep, goats and camels to traders who export live animals to traditional trading partners, mostly in the Middle East and the growing coastal urban centres in West Africa. However, increasingly stringent sanitary standards threaten this trade: disease outbreaks, such as Rift Valley fever, can result in immediate export bans from affected countries.

In developing countries where income growth and the rise of an urban middle-class have stimulated demand for livestock products, smallholder livestock keepers continue to operate in rural areas, but larger-scale, more intensive and technologically sophisticated commercial operators begin to appear in peri-urban areas, especially in the poultry sector. Integrated operations also become established in which large companies or cooperatives supply inputs and provide markets for small- and medium-sized contract rearers.

As countries become wealthier, non-farm employment opportunities increase, rural wages rise, supermarkets extend their reach beyond urban centres, and demand for livestock products increases further, small-scale livestock keepers start to exit the sector as the need, attractiveness and viability of keeping a few livestock diminishes. The average size of holding of poultry and pigs tends to increase, although dairy herds often remain small and, even in rapidly growing markets, production and marketing of milk can still be dominated by the informal sector. Vertically integrated operators become larger and increasingly dominant, and small-scale poultry farmers find it increasingly difficult to stay in business, although small-scale pig keepers tend to be more successful in this regard.

Finally, in the most rapidly growing economies, smaller scale livestock producers, especially of poultry and pigs, either join the ranks of subsistence farmers or exit the sector, whilst few may graduate to larger-scale operations. Meanwhile large-scale integrated operators find it more profitable and safe to contract only larger farms - where these exist - or to vertically integrate production. The sectoral picture in these rapidly developing economies becomes increasingly similar to that prevailing in developed economies.

In many countries 'twin-track' development of the poultry sector has occurred, with backyard/village and industrial poultry existing together. This situation is likely to persist as long as rural poverty exists and local regulations permit this; backyard and village poultry represent important safety mechanisms for the poor, providing high quality supplements to cereal-based diets as well as providing a source of small amounts of cash in times of need, and all for little or no investment or effort. And in countries which have seen little or no increase in consumption of poultry, such as most of Africa, the vast majority of production remains in backyard and village poultry flocks.

It appears that smallholder producers can stay in business so long as the opportunity cost of family labour remains low and/or alternative employment opportunities are limited, and they can benefit from some sort of collective organization and support network. In situations where alternative employment options offer higher wages, such as the more developed parts of China, the competitive advantage of smallholder producers is wiped out and there is likely to be a mass exit from the sector. From a poverty reduction viewpoint, so long as waged employment can absorb those exiting from the sector this is not necessarily a bad thing: on the contrary it should be viewed as a positive development. The objective of pro-poor livestock sector development policies should not be to maintain smallholder production systems at any cost. In addition the interests of poor consumers are likely to be different to those of small-scale and poor producers. Medium-sized and semi-commercial producers appear to be particularly vulnerable to shocks of all sorts: climatic, disease, changing markets, changing norms and standards and so on. Whilst small-scale producers tend to have little exposure to markets and invest little in their livestock, and large-scale producers have ready access to knowledge, expertise and capital, and can exercise their economic and political influence, medium-sized producers have the worst of both worlds: full exposure to the market and other shocks but lacking the networks, influence, knowledge and financial means to deal with them.

3. A REVIEW OF STANDARDS AND THEIR CERTIFICATION

Public and private standards: a dynamic and evolving landscape

The process of globalization has brought, and continues to bring, much greater attention to the quality and safety of commodities traded in the world. The pioneer in the field has probably been the horticulture industry, as leaders in a set of trading initiatives between developed and developing countries for which there were blatantly inadequate checks and balances to meet the needs of consumers, of retailers and of exporting countries. But the dynamic of change has affected many other commodity groupings, notably aquaculture, floriculture and to a lesser degree the trade in livestock products and commodities. All of these are nested in the broader evolving standards for the agri-food sector.

We start with a few definitions.

Standards. The International Organization for Standardization (ISO) defines standards as “documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines or definitions to ensure that materials, products, processes and services are fit for their purpose.” Agricultural standards are generally developed to improve food safety, food quality or environmental and social sustainability in various farming and agrotrade systems.

The ISO differentiates between product standards and process standards. There are also management system standards which set criteria for management procedures (such as for documentation or for monitoring and evaluation procedures).

Certification. Certification is a procedure by which a third party gives written assurance that a product, process or service is in conformity with certain standards (ISO Guide 2, 1996). Certification can be seen as a form of communication along the supply chain. The certificate demonstrates to the buyer that the supplier complies with certain standards, which might be more convincing than if the supplier itself provided the assurance.

The organization performing the certification is called a certification body or certifier. The certification body may do the actual inspection or audit, or contract this out to an auditor (inspector) or auditing (inspection) body. The certification decision, i.e. the granting of the written assurance or “certificate”, is based on the inspection report, possibly complemented by other information.

Certification is by definition done by a third party who does not have a direct interest in the economic relationship between the supplier and buyer. Certification is different from second-party verification, where a buyer verifies whether the supplier adheres to a requirement.

It is important to note that third-party verification does not automatically guarantee impartiality or absence of conflicts of interest (FAO, 2007). For example, the standard may have been set by any party, e.g. by the producer or by the buyer, in which case their interests are likely to be reflected in the standard. When a standard setting body certifies against its standard, a conflict of interests may also arise. The standard-setting body may want to see high implementation rates of its standard, or have a bias against certain types of producers or processors for ideological reasons, which may influence certification decisions.

International standards

The World Trade Organisation (WTO) has, since 1995, been the international body that sets and oversees the rules controlling trade between its members. As tariff barriers are gradually being dismantled, attention has shifted to non-tariff barriers that can also restrict trade flows. These fall into three broad categories (Sandrey, 2003):

- Measures put in place to protect the health and safety of peoples and the environment.
- A variety of trade policy regulations including export taxes, import licences, import quotas, production subsidies, state trading and import monopolies and tax concessions.
- A looser group of administrative disincentives to export, such as customs clearance delays, lack of transparency and consistency with customs procedures, overly bureaucratic or arbitrary processing and documentation requirements and high freight charges.

Central to the workings of WTO is a series of agreements, negotiated and signed by most of the world's trading nations and ratified by their governments. One such is the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures, which came into force in January 1995. The SPS Agreement was intended to ensure that when SPS measures are applied, they are used only to the extent necessary to ensure food safety and animal and plant health, not to unduly restrict market access for other countries. However, at the same time the Agreement recognises the sovereign rights of governments to set the level of health protection they deem appropriate, so long as this is done within the rules governing the Agreement. The WTO defines SPS measures as actions (including laws, decrees, regulations, requirements, processing requirements, certification, inspection, testing and health-related labelling) applied to:

- Protect human or animal life or health from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs.
- Protect human health and life from plant or animal carried diseases.
- Protect animal or plant life from pests, diseases or disease causing organisms.
- Prevent or limit other damage to a country from the entry, establishment or spread of pests.

The key principles of the Agreement are *non-discrimination* and *scientific justification*: the acceptance of legitimate measures to protect the lives and health of consumers, the wider population, animals and plants, provided that they can be justified scientifically, and that they do not unnecessarily impede trade.

The SPS Agreement recognises, and in effect designates, three separate bodies as having responsibility for the development and promotion of international standards, guidelines and recommendations in their respective areas. In each case the standards are set by leading international scientists and government experts and are subject to international scrutiny and review. In the area of food safety for human consumption it is the joint FAO/WHO *Codex Alimentarius* Commission (Codex). This includes food additives, veterinary drug and pesticide residues, contaminants, methods of analysis and sampling, and codes and guidelines of hygienic practice. In the area of safety of livestock and livestock commodities for other animals (and for zoonotic diseases) it is the World Organisation for Animal Health (Office International des Epizooties, OIE), and for plant health it is the International Plant Protection Convention (IPPC) of the FAO. Each of these organisations is run in a different way. FAO and WHO are both agencies of the United Nations, and IPPC is part of the FAO. The OIE is an independent body with its headquarters in Paris. Under the SPS Agreement, WTO member states are encouraged to base their sanitary measures on international standards (where they exist), and these are set out in the OIE's Terrestrial Animal Health Code (TAHC, published annually) for mammals, birds and bees, and the Aquatic Animal Health Code for fish, molluscs and crustaceans. Although the Agreement allows countries to choose the level of protection against pests and diseases that they consider appropriate (the so-called Appropriate Level of Protection, ALOP), when the

measures they apply do not conform to international standards the importing country must provide scientific justification as to why the measures are needed.

There is now an extensive literature on the effects of the SPS Agreement on developing countries, and much of it is very critical. Most are general assessments (see for example Josling et al., 2004; Henson et al., 2000; Athukorala and Jayasuriya, 2003; International Trade Forum, 2002; Jensen, 2002; CTA, 2003; Embassy of India, undated; World Bank, 2005; Humphrey, 2008), and some relate specifically to livestock (such as Perry et al., 2005).

There is much repetition of the key issues emerging. A fundamental theme is that the rapidly rising standards in the developed world are forming the basis for the international standards to which all countries must comply, so marginalising the capacity to trade for many developing countries. In addition, some developed countries and groupings of countries impose standards higher than the international norm. This raises the question of what defines, in precise terms, an international standard, opening the door to imposing the highest set of standards currently feasible, rather than the optimum necessary to minimise risk, determined on a scientific basis.

Governance of international standards

The description above shows clearly that the global responsibility for standards of traded products affecting the health and safety of products for human consumption, as well as for the health of livestock populations, lies with the international bodies of the Codex and the OIE. These bodies develop their standards through international consultation and on the basis of scientific evidence. For the OIE, for example, much work and deliberation goes into the development of the TAHC, updated and approved by its membership of Chief Veterinary Officers of 167 countries every year.

However this system of centralised control of standard setting is now under threat by the progressive development of a series of "private standards". At present the threat is predominantly at the broader agro-foods industry, including horticulture, and to a lesser degree, at least currently, at standards for livestock products and commodities. The threat is derived from the different pace of development in responding to rapidly changing market opportunities and the challenges they posed between the cluster of traders, retailers and private standards bodies, and the international standard setting bodies. It is of value to review the emergence of the different classes of "private standards".

The emergence of private standards

The emergence of private standards in the global agri-food markets has been documented by several authors (see for example Stanton and Wolff, 2008; Henson and Humphrey, 2008). The dynamic process has been dominated by several different groupings of private sector players.

EurepGAP and GLOBALGAP. Much has happened over the last 10 years. An important milestone was the introduction of the European Retailers' Protocol for Good Agricultural Practice (EurepGAP) for the production of fresh fruits and vegetables, initiated in 1996 by a group of 11 British and Dutch retailers, with the objective of creating a single private sector standard for quality and food safety of fruits and vegetables from seed through to farm gate (documented by IIED and NRI, 2008). The concept was in part for retailers to persuade suppliers that if they could comply with EurepGAP, this would bring them in line with EU food safety regulations. But in addition, major growers in Europe were also interested in EurepGAP; for them it appeared to offer a way of reducing the number of private sector standards in the market place and thus manage problems with incompatibility of standards when trying to supply several retailers with the same product.

EurepGAP developed into a global standard and the number of retailer members has progressively increased. It gave rise to the development of several national standards (Kenya-GAP, Chile-GAP, Mexico-GAP, China-GAP), modelled on the original EurepGAP protocol.

In 2007 EurepGAP became GLOBALGAP², which has become the most widely respected and accepted family of standards for primary production of agricultural products. Today there are more than 80,000 GLOBALGAP certified producers in 80 countries. GLOBALGAP certification has become virtually a mandatory market access requirement for producers wishing to sell to GLOBALGAP's 38 food retailer members who include virtually all of the major players in the EU and Japan. GLOBALGAP has standards for a wide range of products, including 229 fruits, vegetables, combinable crops & herbs. Other GLOBALGAP standards include coffee (green), tea, flowers & ornamentals, cattle, sheep, dairy, pigs, poultry, farmed fish (salmon & trout), plant propagation material, livestock transport and livestock feed manufacture.

This illustrates the strong role that European markets have played in the development of standards, and within them, the strong role of retailer groups. Given the wide participation in GLOBALGAP, and the importance of its standards in accessing European markets, it has become virtually the gold standard for access to this market.

The International Organization for Standardization (ISO)

The ISO³ plays an increasingly important role in both the setting of standards, and in capacity building in the development of standards. It is a curious mixture of both public and private sectors. The ISO defines itself as a non-governmental organization (NGO), but its ability to set standards that often become law, either through treaties or national standards, makes it more powerful than most NGOs. ISO acts as a consortium with strong links to governments. The organization has 161 members from different nations.

The International Standards Organisation published their food safety management standard in 2005. ISO 22000 took the good agricultural practice quality management of the ISO 9000 standards and added the principles of HACCP. It can be applied throughout the supply chain. In 2007, ISO 22003 and ISO 17021 were published to provide information, criteria and guidance for certification bodies, for the accreditation bodies that approve them, for suppliers, their customers and food sector regulators.

The Global Food Safety Initiative (GFSI)

This initiative has emerged from CIES - The Food Business Forum (www.ciesnet.com).

This forum was created by the merger of CIES, the pre-eminent food and consumer goods industry body, with the Global CEO Forum and the Global Commerce Initiative (GCI), two global retailer and manufacturer collaborative platforms.

² From www.globalgao.org; GLOBALGAP is a private sector body that sets voluntary standards for the certification of agricultural products around the globe. The GLOBALGAP standard is primarily designed to reassure consumers about how food is produced on the farm by minimising detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to worker health and safety as well as animal welfare. GLOBALGAP serves as a practical manual for Good Agricultural Practice (G.A.P.) anywhere in the world. The basis is an equal partnership of agricultural producers and retailers who wish to establish efficient certification standards and procedures.

³ www.iso.org; ISO is a network of the national standards institutes of 161 countries, one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system. ISO is a non-governmental organization that forms a bridge between the public and private sectors. On the one hand, many of its member institutes are part of the governmental structure of their countries, or are mandated by their government. On the other hand, other members have their roots uniquely in the private sector, having been set up by national partnerships of industry associations. Therefore, ISO enables a consensus to be reached on solutions that meet both the requirements of business and the broader needs of society.

The new association unites not only the world's leading consumer goods retailers and manufacturers, but also many regional specialists and independents. It has a mandate from its members to develop common positions on key strategic and practical issues affecting the consumer goods industry, to focus on non-competitive collaborative process improvement and to provide a network for thought leadership and knowledge exchange.

The GFSI (<http://www.mygfsi.com>) was set up in 2000 and established as a non profit making Foundation in 2005. It was set up to pursue continuous improvement in food safety systems, promote cost efficiency in the supply chain and provide assurance of safer food for consumers worldwide. GFSI represents an increasing number of private retailers, in an effort to cut down on duplication in standards and certification, seeking harmonisation in the global food industry. Its slogan is: "Once certified, accepted everywhere".

CFSI benchmarks existing retailer-driven food safety management systems against a GFSI Guidance Document, communicates to stakeholders about system equivalence, provides a forum for debate with International Standards organisations and interested parties, and helps and encourages retailers and other stakeholders to share knowledge and strategy for food safety through different projects

Under the umbrella of the GFSI, 8 major retailers have now come to a common acceptance of four GFSI benchmarked food safety schemes. The major retailers are Carrefour, Tesco, ICA, Metro, Migros, Ahold, Wal-Mart and Delhaize, all of which have agreed to reduce duplication in the supply chain through the common acceptance of any of the four GFSI benchmarked schemes.

Retailers accept certificates based on standards in order to be able to make an assessment of their suppliers of private-label products and fresh products and meat, to ensure that production is carried out in a safe manner. There are many of these standards and suppliers with many customers may be audited many times per year, at a high cost and with little added benefit. The GFSI Guidance Document Version 5⁴ (released September 2007), contains commonly agreed criteria for food safety standards, against which any food or farm assurance standard can be benchmarked. GFSI does not undertake any accreditation or certification activities.

The benchmarking work undertaken by the standard owners and other key stakeholders on four food safety schemes (these are: the British Retail Consortium (BRC) Technical Standard Version 4, the International Food Standards (IFS) Version 4, the Safe Quality Food (SQF) program, the Dutch HACCP (scheme Option B), and New Zealand GAP (NZ GAP). Each scheme has now aligned itself with common criteria defined by food safety experts from the food business, with the objective of making food manufacture as safe as possible. As a result, this will also drive cost efficiency in the supply chain and reduce the duplication of audits. There were nearly 19000 GFSI-recognised system certificates issued in 2006 - compared to 9000 in 2005.

Whither public and private standard setters in the agri-foods trade?

The emergence, dominance and contributions of "private standards" have led many to consider what roles public and private sectors should play in food safety standard setting and certification processes. These range from the broad philosophical and political debates to the more analytical classification of roles and actors (such as Henson and Humphrey, 2008).

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http://www.ciesnet.com/pfiles/programmes/foodsafety/GFSI_Guidance_Document_5th%20Edition%20_September%202007.pdf

There exist a widely diverse set of standards designed to ensure the safety of livestock and livestock products, and a corresponding diversity in the systems of certification that standards have been met. The standards range from no standards at all for most commodities marketed in rural towns and villages throughout Africa, through limited standards covering product processing, through a set of international standards for certain commodities, diseases or processes, to a highly specific set of private standards extending far beyond food safety to include environmental and welfare considerations, among others. In many developing countries the situation is confused, exposed to sometimes conflicting pressures from consumers, traders, public and private sector stakeholders, and most importantly, it is changing fast.

That the situation is complicated should not be surprising, given the many health and food safety reasons behind certified standards, the enormous diversity of livestock products, the need to consider the entire “farm-to-fork” market chain, and the multiplicity of public and private sectors actors involved.

At the level of rural markets in most developing countries, the system is driven by very few forces. These centre on consumer demand characteristics (in terms of taste, quality and price), and trust of the producer by the purchaser for these attributes - and for the safety of the product. In each rural setting where village markets play an important role there is little diversity in the consumer demand forces, and so trust of the vendor (who in many cases is also the producer) plays a major role. As the size of the market grows, so does the diversity of consumer demand, but the issue of trust, in terms of quality and safety, remains central. In the larger urban markets the vendor is usually no longer the producer, and so the safety of the product becomes more difficult to establish, introducing the need for some form of certification of the product safety. In most industrialised countries this role has been progressively assumed by the public sector. However in many developing countries, due to institutional weaknesses and lack of human and financial resources, governments have not been effective in developing strong and implementable policies that guarantee food safety along the market chain. As a result, it has often been the more enterprising members of the private sector who have played a role in ensuring that their particular products are seen to be safe, and the best examples of this are to be found in the vertically integrated companies. Under such conditions, a variety of private standards have emerged, some dependent totally on brand name. These private standards are clearly a step in the right direction, but nevertheless often fall well short of the standards necessary to ensure that their products meet the growing inventory of regional and international requirements. It seems likely that in some cases they also fall short of ideal domestic food safety needs, but “in the land of the blind, the one-eyed man is king”.

Some industrialised countries have developed a legal framework for their food safety standards, and this is clearly the trend. Following several food crises in Europe (such as with dioxins, bovine spongiform encephalopathy (BSE) and foot-and-mouth disease (FMD), the European Commission adopted a White Paper on Food Safety in January 2000, signalling a new international regulatory approach aimed at restoring confidence in the safety of food. This approach draws together the various aspects of food safety along the food chain, from hygiene provisions to animal health, welfare and phytosanitary requirements. Importers of products into the EU are therefore increasingly exposed to an ever more rigorous assessment of the commodities they deal with.

But this is not necessarily the summit of the standards required. Many of the larger supermarkets in Europe set their own standards, which also reflect the idiosyncrasies of their customers and can be much higher than those of the EU. This has widened the range of standards to be included, such as assessment of the carbon footprint created in delivering the product to the supermarket shelf, for example. As a result, the term “private standards” has been associated with the most ‘difficult’ set of standards to attain, and as a result has developed a bad name in terms of their friendliness to developing country products. But is that

fair? As seen above, in many developing countries the standards adopted by private companies are leading the way in getting commodities into progressively more sophisticated market.

Recent initiatives

While considerable progress has been made with regard to the differing approaches pursued by private and public standard setting bodies in horticulture and non-livestock products, there has, until recently, been somewhat of an impasse on the livestock product front. However the issue has at last been addressed by the OIE, and at the 76th General Session in May 2008 the International Committee of the OIE discussed the problem of animal health and animal welfare standards established by private companies, and passed a Resolution calling for action to address this issue.

In June 2009 an OIE expert *ad hoc* Group on private standards for sanitary safety and animal welfare was convened to examine the current and possible future problems and benefits presented by private standards in regard to international trade. This group developed a questionnaire that was sent to all OIE Members and to relevant organizations having an official agreement with the OIE. The full results of the questionnaire and the implications for the OIE are not yet publicly available. They reportedly identify significant differences between the views of developed countries and developing countries⁵.

⁵ http://www.oie.int/eng/normes/en_executive%20summary.pdf

4. MYTHS, LEGENDS AND NOTIONS CONCERNING LIVESTOCK TRADE BY DEVELOPING COUNTRIES

We provide below a series of statements, some sourced, some anonymous, some provocative, some benign, that have been associated with the discussion on the role of trade in livestock products and commodities in development and processes of pro-poor growth. Under each statement we attempt to analyse the rationale, or lack of it, behind the statement.

4.1 Access to export markets will lift developing countries out of poverty

There has been a growing generic argument that greater access to export markets for livestock commodities by developing countries is likely to play a substantial role in processes of poverty reduction. This argument has been particularly associated with beef, and developed as either an incentive for creating disease-free zones for certain major infectious diseases such as FMD, or as an incentive for the alternative concept of commodity-based trade (CBT) in de-boned beef (see for example Thomson et al., 2004; 2008).

The argument has also been applied to pork products in South East Asia, linked to the development of FMD-free zones from which products might be exported to other Asian countries (see for example Perry et al., 1999 for Thailand and Randolph et al., 2002 for the Philippines). These South East Asia examples have examined the economic returns to such exports, and in the case of the Philippines, the estimated distribution of benefits to future export market access.

Exploration of this hypothesis requires consideration of several issues, including an understanding of the capacity of a given developing country to supply external markets, the competitiveness of a given product in the destination markets, and the institutional capacity in export-orientated livestock enterprises by developing countries aspiring to export.

From the point of view of the capacity to supply, this was discussed in the workshop held in Nairobi, Kenya (see Appendix 1), where it was concluded that for Kenya the major (and growing) market opportunities for beef, pork and poultry products were domestic and to a lesser extent regional.

- The main market for meat, poultry and milk products produced by the major manufacturing companies in Kenya is, and is likely to continue to be, the domestic market.
- The domestic market is segmented. At the lower-end of the market, consumers are very price sensitive; at the higher-end - for example in supermarkets in the more affluent Nairobi suburbs - consumers are less price sensitive and more likely to buy identifiable 'super brands'
- The companies marketing such brands, such as Farmers Choice and Alpha Fine Foods, also access other markets to varying degrees, such as countries in the East African region, the Middle East and the armed forces of various countries stationed in the region
- It was considered that there would be strong and growing demand for livestock products in the domestic market in the short and medium term; this domestic market would continue to be the most important market for livestock commodities
- It was also noted that there was likely to be strong growth in markets in the East African region, in countries such as Rwanda which has recently been experiencing a high annual growth rate

When it comes to opportunities in overseas markets further afield, such as the Middle East and Europe, to move beyond niche markets into large scale beef exports countries such as Kenya

will need to become highly competitive in terms of the product supplied in order to compete with the other major players operating in these markets.

On a broader scale, Rich and Perry (2010) concluded that while the supply base in Africa is steadily increasing, only a few countries maintain sizable cattle herds (over 10 million head) sufficient for sustainable export. These include Ethiopia, Sudan, Nigeria, South Africa, Tanzania, and Kenya. None of these countries are major exporters at present, however. Moreover, Africa contributes little to the global beef trade, representing about 1 percent of global exports and 2 percent of global imports (Rich and Perry, 2010). Indeed, most African countries are net importers of beef, with net imports growing rapidly in the past five years, particularly in North African markets. Only Botswana and Namibia contribute any sizable (over 10,000 tons) volumes of exports to global markets, and these are facilitated by economic partnership agreements with the EU, and the presence in their countries of recognised FMD-free zones from which export takes place.

What are the opportunities for sustainable exports to external markets? Global production of beef is rising, with significant increases found in many regions of the developing world, notably South America, India, and some parts of Africa (see Rich and Perry, 2010). Global production and consumption are expected to grow more rapidly in the developing world than the developed world in the foreseeable future. While the volumes of international trade in beef products are growing, major export and import flows are concentrated among a few key actors. The United States, EU, Russia, Japan, and Korea are the world's main importing countries, while Argentina, Australia, Brazil, India, the United States, and New Zealand dominate global exports. Future projections from FAPRI highlight an increase in global beef exports from 5.3 million tons in 2008 to nearly 7 million tons by 2018. Much of this rise is projected to come from exports from Brazil, India, Argentina, Australia, and New Zealand, meeting rising import demand from the EU, China, Japan and Russia.

Rich and Perry (2010) conclude that given the weak infrastructure and supply base necessary to be competitive in international beef markets, the range of African beneficiaries in the short- to medium-term from CBT is likely to be limited to those suppliers with already existing infrastructure and those where infrastructure is being established at present; these include Namibia, Botswana, Ethiopia, and Uganda. Moreover, many of the short-run gains by African suppliers are likely to be through target-specific product markets rather than high-volume, commodity exports of beef. Indeed, they argue that CBT will benefit primarily the expansion of large-scale commodity beef, which favours large-scale producers, particularly those in South America and India. This is largely because many of the growth markets for beef exports, particularly China, Russia, and Africa, are low-value (frozen beef, offals), high-volume markets that are price-sensitive. Moreover, countries such as Brazil have already made many of the investments in traceability and other infrastructures necessary to compete in a CBT world, while India could benefit from possible trade diversion effects in non-EU, third-country markets.

4.2 Disease free zones are the solution to international market access

The traditional pathway for access to export markets for livestock and livestock products to developed countries has been through national or zonal freedom from certain diseases for which specific procedures have been developed by OIE (notably rinderpest, FMD, bovine spongiform encephalopathy - BSE, and contagious bovine pleuropneumonia - CBPP). In Africa, OIE recognised zones for FMD freedom without vaccination are currently found in Botswana, Namibia, South Africa and Swaziland.

The governments of a few African countries outside southern Africa have embarked on ambitious initiatives to create "disease-free zones". These seem to fall into two distinct categories. The first is what appears to be a rather idealistic initiative, which has still to grapple with the technical difficulties of achieving zonal status that will be both effective,

internationally recognised and consistent with other domestic livestock activities in or adjacent to the zones (see for example the recent proposals by Kenya as part of its 2030 vision document⁶). The second category combines idealism with pragmatism, is exemplified by the Norwegian NORAD-supported Nortura initiative in Uganda, which is partnering with the Ugandan Ministry of Agriculture to develop three disease free zones, and an associated cooperative-run livestock enterprise, which plans to exports meat to Norway and potentially other countries in Europe (see http://www.donorplatform.org/component/option,com_docman/task,doc_view/gid,652/Itemid,98/)

4.3 Compartments are the solution to international market access

Recognising the difficulties of zonation, particularly in settings in which domestic animals are kept in biosecure facilities but in regions in which there are wild animals carrying infectious diseases, the concept of compartments emerged. Scott et al (2006) describe a compartment as: one or more establishments under a common biosecurity management system containing an animal subpopulation with a distinct health status with respect to a specific disease or specific diseases for which required surveillance, control and biosecurity measures have been applied for the purpose of international trade. This was particularly to deal intensive poultry production in Europe in environments which also were exposed to avian influenza in wild birds, and intensive pig production in environments in which classical swine fever occurred in wild pigs, also in Europe.

The compartment concept is progressively evolving, but with the emphasis placed on biosecurity, the internationally acceptable interpretations of a compartment are still largely limited to commercial production and processing enterprises, but also potentially to certain vertically integrated systems. Rich et al (2009) examined a system that aspired to comply with the compartmentalisation concept in Ethiopia.

4.4 Commodity-based trade is the solution to international market access

As mentioned earlier, there has been a wave of enthusiasm from some quarters for the concept of commodity-based trade, changing the emphasis from the need to derive livestock products from countries or zones designated free of certain diseases, to deriving products designated as safe from infection with certain priority infectious diseases, notably (but not only) FMD (see Thomson et al., 2004; 2008). This concept has not moved as fast as some would have liked, for various reasons. These include technical constraints (such as the difficulty in demonstrating sustained freedom from certain infections in different livestock commodities), institutional constraints (such as the dearth of organisations promoting commodity based trade, and the apprehension about the concept by organisations such as the OIE), and economic constraints (such as the suggestion by Rich and Perry, 2010, that market opportunities for commodities out of Africa will be limited in the face of limited supply and fierce competition). Nevertheless, there are identified opportunities for growth in this concept in Latin America, India and a few countries in Africa, and it is a philosophical concept, widening market opportunities for developing countries, that certainly merits further study.

4.5 Overcoming SPS issues will open up export markets

Prospering in livestock markets subject to an increasingly sophisticated and changing set of domestic and international trade standards requires the capacity to rapidly respond and adapt services, products, and production arrangements to society's dynamic social, economic and environmental goals. In this respect, a continued focus that emphasises SPS compliance as the

⁶ http://www.safaricomfoundation.org/fileadmin/template/main/downloads/Kenya_VISION_2030-final_report-October_2007.pdf

ultimate market access requirement will inevitably miss some important points: Access to high value markets is increasingly determined by issues beyond SPS. Particularly topical in this respect are environmental costs and the carbon footprints of production, equity, and a wider range of animal welfare considerations. These will not only be difficult to attain, but even more difficult to certify in developing nation settings without recourse to systems of vertically integrated management, or some form of cooperative mechanism backed up by an institutional architecture that would be able to service such production systems.

Although developing countries' livestock sector dynamics have been at the centre of a number of studies (e.g. Delgado et al. 2007), many of these have largely ignored issues related to the capacities and services that would be required to ensure that these trends are best used to promote equitable wealth creation and sustainable economic development. Studies that have focused on service delivery have generally done so in a narrow fashion, disregarding the changing spectrum of skills and support services required -generally missing in traditional service provider mechanisms-, thus ignoring the modifications required in the institutional landscape to enable delivery of such knowledge and services.

The ability to mobilise and use knowledge is progressively replacing the traditional importance of natural resource endowments as a source of competitiveness for developing countries. It is also increasingly important in determining how countries cope with climate change, human and animal disease outbreaks, and how they seize opportunities arising from new technological and policy developments. Thailand is a good example of this adaptive capacity. Within months of losing its large export market for fresh frozen poultry – due to an outbreak of avian influenza – it had re-engineered and reinvented itself as a major exporter of pre-cooked, poultry-based ready meals. Such innovation in livestock production, processing, utilisation, and distribution takes place when different players in the sector are well-networked, allowing them to make creative use of ideas, technologies and information derived from different sources, including research. Building this capacity is essential in mediating how the livestock sector develops, how livestock keepers fare, and how well the dynamic needs of consumers are met. Without significant and sustained innovation in national and global livestock systems, the potential of the sector to contribute to poverty reduction, economic growth and global food security will not be achieved.

4.6 Fair-trade is pro-poor

Whilst there are several good examples of fair-trade schemes that have brought poor farmers into lucrative export markets (such forest coffee, tea, honey, etc.), the success of such schemes has often depended on the concomitant establishment of an organizational structure that is responsible for the provision of services, skills, contacts, and networked capacity which ensures the certification of production systems and produce essential for wider market access. In the absence of such institutional architecture, well-intentioned fair-trade schemes are unlikely to increase access of smallholder/poor producers. Moreover, if the required institutional architecture is established only in a project manner, filling institutional gaps, rather than building the required institutional capacity, such schemes are unlikely to survive beyond the life of the project.

4.7 Food safety standards are universally necessary / Informal livestock commodity markets are high risk in terms of food safety

The food safety aspects of trade in livestock products in developing countries are without doubt an increasing cause of concern. As production patterns, processing and distribution practices, and consumption habits change, and marketing chains become longer and more complex, issues such as shelf-life and risk of product contamination become increasingly important. More informed, better educated and wealthier urban consumers will also increasingly demand higher food safety standards - and will increasingly shop in the growing number of supermarkets rather than traditional markets and small-scale shops. Meanwhile

supermarkets in many developing countries, of course, are responding to the demands of this rapidly emerging, more discerning middle class; as their market share grows they enjoy an increased ability to dictate terms and conditions to their suppliers, and are beginning to drive food safety and quality standards upwards - as they have done in developed country markets for some time.

At the same time, however, there has to be the recognition that consumption patterns and marketing practices in evolving livestock markets and countries may not necessarily adhere to the WTO 'gold standards', but not, per definition, pose a threat to consumers or the livestock sector. Often marketing practices, and consumption and food preparation patterns in such 'unregulated' markets, eliminate or reduce many of the potential food safety threats. Moreover, informal markets, where vicinity and familiarity are the rule rather than the exception, are generally 'self-regulating'. Consumers often know the person from whom they source the products, and any food safety issues are not only easily traced, but also easily eliminated as consumers will no longer source from these suppliers (or ensure that they address the issues). This is not to say that food safety standards are not desirable in such markets; they are. The real question is whether they are essential, or if consumer awareness creation may be the most effective option. Whilst vicinity and local knowledge are probably the rule in most 'unregulated' markets, there may be examples of informal markets where this is no longer the case. Where value chains lengthen - without formal regulation, albeit of a public or private nature -, food safety does become an overriding concern. However, regulating such rogue markets -in an environment where the absence of the appropriate institutional architecture allowed such markets to establish in the first place- will be a challenge, and as suggested earlier, in these cases the more effective manner of reducing the food safety threat of such markets may be through the education of its clients.

Whilst most food safety benefits of increasingly stringent norms and standards regulating trade will accrue to the consumers in the importing nation, access to export markets can also conceivably have an overall positive effect on domestic food safety standards through improvements in domestic infrastructure and marketing chains that will accrue equally to middle and higher-end domestic consumers. Moreover, it may also have beneficial trade-off in terms of local sourcing by domestic retailers.

4.8 Animal welfare is increasingly becoming a trade standard, opening trading opportunities for pastoralist systems

In recent years agricultural animal welfare standards have increasingly been placed on the agendas of international, regional, and national regulatory and standard setting agencies. This centred initially on the housing of poultry, pigs, cattle, etc., but has expanded into many other areas of welfare. In 2005 the OIE adopted guidelines for the international welfare of domesticated and food animals. The guidelines focus on the transport of animals by sea, land, and air; the slaughter of animals for human consumption; and the killing of animals for disease control purposes.

There is relatively little attention given to livestock welfare in many developing country production systems, particularly when it comes to the more intensively produced poultry and pigs. However many of the more extensive systems, particularly those in which cattle, sheep and goats are kept in pastoral livestock systems, livestock graze natural pasture, do not generally receive therapeutics or food additives, and are tended constantly by numerous herders. Some consider products emerging from such livestock as prime candidates for inclusion in CBT or Fairtrade initiatives because of the perceived positive aspects of their welfare. However this is almost certainly far too simplistic an argument. Firstly on the disease side, many such pastoral systems in the greater Horn of Africa are located in areas with endemic FMD and other infectious diseases. Secondly, while very few drugs are used in such systems on economic grounds as a general rule, a multitude of drugs including trypanocides and ectoparasiticides are readily available in local markets, and they are used occasionally and

sometimes in indiscriminately, and not necessarily at the correct dosage. Furthermore, some of these extensive livestock systems are not as welfare-friendly as they might first appear, with animals incurring stress associated with seasonal shortages of pasture and extended periods without access to water, and often herded by the very young or the very old.

Finally, while there are undoubtedly merits associated with livestock found in some pastoral systems, to qualify for accreditation these systems would need to be inspected on the basis of certain specific criteria for potential certification. While not impossible, such a process is likely to be extremely complicated.

4.9 Private sector standards are not pro-poor

A considerable debate has emerged on the appropriateness of private standards, and whether they discriminate against developing countries or poorer sectors of society within them. We have phrased the heading of this notion in a rather more direct way (moving from *discriminating against developing countries to not being pro-poor*), given that poverty reduction is the process we wish to promote, and to which the international community has subscribed.

There does not appear to be much in the way of published evidence that private standards are anti-poor. In the context of poverty reduction initiatives targeted at developing countries, it is important to consider the wide range of potential poor beneficiaries, which are not just confined to smallholder producers, but also poor consumers, and of course the various other players (marketers, slaughterhouse and processing plant employees, etc.), in the livestock commodity value chains.

OIE has taken a very strong position against private standards, and has stated publicly that private standards are not science-based, not transparently developed, not democratic, and not in the interests of developing countries. OIE specifically states that private standards are “developed to meet the needs of commercial parties (especially supermarkets) and consumers and tend towards a non-scientific, zero-risk, marketing approach that is not consistent with the disciplines of the SPS Agreement⁷”.

In their submission to the WTO on private standards⁸, the OIE lists several issues that, it says, have a disproportionately negative impact on developing countries. These are:

- The high cost of certification, burdensome for small producers
- State-of-the-art private standards require tests which are out of reach for small producers
- Developing countries are less capable of mounting arguments against measures inconsistent with SPS obligations.
- Developing country enterprises are unaware of the existence of private standards
- Private standards are based on commercial quality schemes, and adopt a non-specific zero risk marketing approach likely to stifle trade in livestock products. Certification is not in the hands of the Competent Veterinary Authority.

As discussed by several authors (see for example Jafee and Henson, 2005; Henson and Humphrey, 2008; 2009), there are several different types of private standards. They are often grouped into three classes: those set by individual firms, those that are collective national standards and those that are collective international standards. With regard to livestock products, these groupings generally cover two discrete issues: the standard of the production process (in general terms agricultural practice) and the safety of the emerging food product (in

⁷ <http://ec.europa.eu/food/international/organisations/sps/docs/G-SPS-GEN-822.pdf>

⁸ <http://ec.europa.eu/food/international/organisations/sps/docs/G-SPS-GEN-822.pdf>

general terms food safety). As noted above, the WTO and OIE take the line that these discriminate against developing countries, and against poorer producers in such countries.

This highly partial view does not appear to take into consideration the type of private standard referred to. In both agricultural practice and food safety standards, they can be applied in “top-down” and “bottom-up” settings. The top-down is represented by the developed country specialist supermarket, to which the WTO and OIE documentation appears to be referring predominantly. The bottom-up setting is arguably significantly different. It is where a developing country livestock enterprise (producer or set of producers, slaughterer, processor or an integrated or semi-integrated enterprise consisting of all these actors) engages with a set of private standards to certify its credibility, and to use such certified standards to negotiate with international trading partners. There is a marked difference in the anti-poor qualities of these contrasting settings. Such bottom-up use of private standards can open up international trading opportunities that were not previously available, through private sector entrepreneurship which invests in the facilities necessary to attain standards, as a tool to improving quality, safety and market opportunities.

The value of bottom-up private standards for developing countries is many. Many African countries have endemic FMD, or disease occurrence of an undefined status, which without recognised FMD-free zones limits their export opportunities. Countries with a high demand for livestock products, particularly in the Middle East, may provide export opportunities for enterprises in such African countries, and private standards, certified by ISO-affiliated companies such as Bureau Veritas and others, for example, offer ISO-certified good agricultural practice and HACCP certification schemes that provide the exporting African country enterprise with the credibility it needs to negotiate a bilateral trading contract. Such privately certified arrangements are usually also endorsed by the national veterinary authorities. In one example known to the authors, not only does the country gain access to an export market by such a process, but also it engages contract farmers to provide livestock to their approved export slaughter facility, so widening the participation of small and medium holder farmers in the benefits of export market access. This undoubtedly has many pro-poor features, from the engagement of smallholder producers, the multiple employment opportunities and the contribution to national GDP.

Well documented in the horticulture business, and growing in the limited livestock product exports from eastern Africa, such export market access can have the effect of “raising the game” of the exporting country, both by stimulating the creation of institutions which help producers achieve and sustain the necessary standards, by creating employment opportunities, and also by responding to growing domestic consumer quality and safety demand.

These “bottom-up” private standards contrast with the “top-down” standards of overseas supermarkets. The latter group, rather than seeking to raise the standard and profile of a developing country company, tend to demand particularly challenging standards which only a few countries, and only a few contributors in that country, can attain. But despite these different drivers, even the top down group can have pro-poor qualities. Consumers in European supermarkets undoubtedly seek quality and price attributes as priorities, but with increasing awareness of environmental and global development concerns, a growing proportion of consumers also demand products that contribute to increased opportunities for developing country enterprises. Tesco, for example, offers many Fairtrade commodities “because buying produce with this label allows small farmers in developing countries to build their businesses, while providing workers with a decent wage and improved quality of life”⁹. Importantly, these are almost all horticulture products, not meats, but the principle is established.

⁹ http://www.tesco.com/todayattesco/community/archive/0709_fairtrade_pays_off.shtml

So is the label of not science-based, not transparent and undemocratic fair? In general terms, probably yes, but particularly for the top-down category of standard setters and exploiters. But much the standard setting is based on evidence and conventional wisdom, and while undemocratic in the ideal sense, the two main groupings of the Globalgap family and the Global Food Safety Initiative family have established an ever widening network that thrives on participation and feedback.

4.10 Private sector standards are not science based

This notion opens the discussion on what science-based means, and what is the difference between science-based and evidence-based. Standards should arguably be based on sound *evidence* of their technical merit, suitability, appropriateness and wide acceptability. This will require that some (perhaps a substantial proportion, depending on the standard itself) of the evidence is scientific, that some evidence documents the appropriateness, and some documents the acceptability to different circumstance of use. This is arguably not the same as saying that all standards must be science based. Furthermore, standards sometimes need to be set in the absence of a well-documented science base, pending further research, and built on the best available evidence available.

Some interpret science-based as meaning an evaluation of the scientific literature with an unavoidable subjective influence. If the scientific literature is not unanimous, a "consensus-based" evaluation will frequently be carried out. That means that experts will be brought in to develop a consensus and will announce their opinions, but the selection of experts and the majority opinion are both matters of subjectivity. All evaluation procedures have a common source of error, namely the considerably lower probability that negative results are published.

It would appear that many private standards are indeed based upon the best available evidence, but it is acknowledged that there is likely a considerable variation in this.

4.11 The SPS requirements necessary for access to livestock export markets discriminate against smallholder producers

Being a producer in a value chain producing livestock that contributes to product export does likely require a certain critical mass in terms of livestock numbers. Perry et al (2003) found that smallholder farmers in Zimbabwe with 5 or less cattle used their livestock for asset storing (for emergency social, medical or educational expenses) and did not sell cattle into the open market. However in terms of herd sizes, "smallholders" vary in their classification in different parts of Africa, but similar principles apply in other regions.

But in some semi- and fully vertically integrated systems which use contract farming, small and medium holders can be very much involved in export market access, with the overall enterprise taking responsibility for appropriate HACCP procedures and compliance with standards and certification process. Such is the case with Alpha Fine Foods and Farmers Choice in Kenya, for example, but there appear to be few other examples of this model in African countries.

But in some ways this argument misses an important point. The benefits of international market access should look beyond the production level, and look to impacts on poor consumers, poor traders, poor employees in livestock and related service enterprises, some of whom can indeed be winners under more stringent SPS requirements.

And it is not just the SPS compliance which is the limiting factor. As illustrated by Rich et al. (2009) in an example of potential exports from Ethiopia, the costs of SPS compliance may be dwarfed by the costs of feed or other services to the value chain if the enterprise is to develop a product that is competitive in quality and price with those arriving in the same destination market from Brazil, Australia or India, for example.

5. SYNTHESIS AND CONCLUSIONS

- There are limited opportunities for smallholder livestock producers in Africa to access international markets. It appears that the major market opportunities for livestock products in most countries of Africa are at the domestic and regional levels within the continent. International market access is therefore unlikely to play a major role in poverty reduction, at least in the foreseeable future.

These limited opportunities are as a result of very few countries having national herd sizes adequate to support reliable and sustained exports, the widespread presence of endemic diseases such as FMD, the inadequate institutional architecture to support export orientated activities, in particular the compliance with increasingly demanding quality and safety standards, and the low competitiveness of emerging products in terms of the current international market needs. Some countries in southern Africa which have achieved zonal FMD freedom and maintained a trading partnership with the EU are exceptions to this.

- Considerable attention has been given to the concept of commodity-based-trade in livestock products, and the prospects for expanding export of de-boned beef from African countries where FMD-free zones do not exist, through compartments and/or systems comprising quarantine, testing, feedlots, slaughter, processing and packing. This attractive concept is severely constrained by several factors. These include the lack of rigorous data on the risks of survival and possible transmission of FMD and other viruses in products emerging from such systems, the constraints in guaranteeing reliable and sustained commodity supply, and the lack of competitiveness in destination markets. Comparisons have been drawn with the successes of the African horticulture industries in their exports to Europe, but there is no comparable out-of-season demand for livestock products, however. Furthermore, the disparity between the West and developing countries on the role of livestock, the environmental controversies over air transportation of commodities over long distances, and the overarching concern about animal disease transmission have further limited the development of CBT in livestock commodities.
- The limited external market opportunities for livestock commodities that do exist can likely make contributions to processes of poverty reduction through contributions to national GDP, employment opportunities and other domestic spill-over effects on higher quality and safer food products, and these impacts are more likely to benefit consumers, traders and other value chain actors than smallholder livestock producers. The exporters engaged in such trade are likely to be reputable, well-resourced companies that will apply the standards developed for export to their domestic product outlets. Such export opportunities will have the potential to serve as a role model, helping to build domestic market and processing infrastructures and raising the game of the livestock sector as a whole.
- Compared to the horticulture sectors in eastern, central and southern Africa, there is a severe paucity of sector coordination and facilitation bodies to champion, advise and promote appropriate institutional arrangements for export-orientated enterprises, and to advise on achieving standards and certification. The few enterprises that have taken advantage of the limited export opportunities have tended to adopt various degrees of vertical integration to be able to deal effectively with the rigours of the international market place.
- Where successful export enterprises have been developed in the horticulture and the livestock sectors, they have been driven almost exclusively by the private sector. The horticulture sector provides an impressive role model for the types of institutional architecture, capacities and communication arrangements that are required by the growing livestock sectors wishing to engage more with international trading partners.
- While there is a significant cost to complying with SPS standards for sustained access to international markets, these may be dwarfed by other costs such as feeding and other

services necessary to ensure that emerging products are competitive in the recipient market.

- Beyond standard SPS issues, there is a continually changing and widening landscape of standards to be achieved, including those related to carbon footprints, animal welfare, etc. Livestock enterprises engaged in export markets must develop capacities to respond to this changing landscape.
- Several examples of international trade in Africa, beyond those developed under the EPA's of certain southern African countries with the EU, have used private standards to substantiate the quality and safety of their products in developing and maintaining bilateral trading partnerships outside Africa. The accreditation achieved through international ISO member organisations has thereafter been endorsed by the national ISO bodies and the national veterinary departments (the competent authority in OIE terminology).
- In contrast to horticultural commodities, no livestock product (except honey) is exported to Europe under the Fairtrade scheme.
- The WTO and the OIE have taken a very strong and negative approach towards private standards. However it appears that they have bulked all private standards together, not differentiating between the contrasting roles played by European supermarkets, for example, in a top-down approach, and the supportive bottom-up roles of some of the ISO-associated bodies at national levels in African countries. These have helped budding livestock entrepreneurial enterprises to enter negotiations with external trading partners, and the standards achieved have subsequently been endorsed by national veterinary authorities. Bottom-up private standards are therefore seen as a useful springboard to entering trading partnerships.
- Top-down private standards from organisations such as Globalgap and the Global Food Safety Initiative do appear to play a valuable role in providing support to retailing and producer organisations, in benchmarking agricultural practice standards and safety management system, and in communicating and debating standard attainments, processes essential for improving market access. They do not at present play any discernable role in livestock commodities from developing countries in Africa, but could potentially in the future. It is considered that they could be both restrictive, in demanding high agriculture practice and system safety standards, but could also have the effect, as has been the case in the horticulture sector, of raising the game in developing countries. The development of coordination and facilitating institutions as interlocutors will be an essential component of capacity development.
- There continues to be a substantial divide between the public and private standard setting bodies. Condemnation of one side by the other is not in the global public interest. Perry et al. (2005) called for "a meeting of the minds between the standard-setters and the traders", but it appears that five years later this has yet to be achieved. It is indeed encouraging that OIE has established an expert *ad hoc* group on private standards for sanitary safety and animal welfare to explore the current and possible future problems and benefits presented by private standards for sanitary safety and animal welfare in regard to international trade. This group will reconvene in May of 2010. It will be very important to the interests of safe trading opportunities for all that public and private standard setting bodies clearly identify the roles that each have to play, and work together in the interests of the public at large.

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ANNEX 1: SUMMARY REPORT ON AN INFORMAL DISCUSSION FORUM: HOW APPROPRIATE ARE CURRENT STANDARDS AND CERTIFICATION SYSTEMS FOR DOMESTIC, REGIONAL AND INTERNATIONALLY-MARKETED LIVESTOCK PRODUCTS?

Serena Hotel, Nairobi, 24th September 2008

Introduction

An informal, half-day meeting convened by Brian Perry on behalf of the Pro-Poor Livestock Policy Initiative of the FAO (PPLPI) was attended by 15 invited participants who together represented Kenyan or Kenyan-based private and public meat, milk and poultry processors, major retailers, the veterinary authority, the standards authority, large-scale producers associations, consultants and livestock scientists. Also present was a Rome-based representative from the PPLPI. See appendix for list of participants.

To encourage frank and open discussion the meeting was based on the principle of consultation without attribution, i.e. neither in this report nor elsewhere, comments or opinions expressed during the meeting will not be attributed to individual participants.

Objective

The stated objective of the meeting was to address the questions:

- How appropriate are current standards and certification systems for domestic, regional and internationally-marketed livestock products?
- How appropriate are the current standards applied at different market levels?
- How can we ensure that standards both protect the public at large by ensuring product safety, but at the same time are not prohibitive to competitive and quality-conscious smallholder producers, to developing country production conditions and to national aspirations for exploiting livestock resources to promote sustainable and inclusive growth (also referred to as pro-poor growth)?

The main points to arise during the meeting were:

Markets: current and future

- The main market for meat, poultry and milk products produced by the major manufacturing companies in Kenya is, and is likely to continue to be, the domestic market. While this has been affected a drop in tourism following the post election disturbances, it is recovering well and Kenya predicts a high growth in 2008/9
- The domestic market is segmented. At the lower-end of the market, consumers are very price sensitive; at the higher-end - for example in supermarkets in the more affluent Nairobi suburbs - consumers are less price sensitive and more likely to buy identifiable 'super brands'
- The companies marketing such brands, such as Farmers Choice, also access other markets to varying degrees, such as countries in the East African region, the Middle East and the armed forces of various countries stationed in the region
- It was considered that there would be strong and growing demand for livestock products in the domestic market in the short and medium term; this domestic market would continue to be the most important market for livestock commodities

- It was also noted that there was likely to be strong growth in markets in the East African region, in countries such as Rwanda which has recently been experiencing a high annual growth rate

Domestic standard marks

- In Kenya, livestock products are marked with a variety of labels, logos etc. denoting compliance with both public statutory and public and private voluntary product and process standards. These include: Kenya Bureau of Standards (KEBS) Diamond Mark of Quality, the ISO 22000 and those of the Department of Veterinary Services
- KEBS Diamond mark is voluntary but the Standardization (or S) mark, which will be required on all products by October 2008, is compulsory. The S mark denotes that products have been certified by KEBS as meeting basic food safety standards
- One objective of the S mark is to produce a level playing field for all manufacturers and processors- but in practice mobile and "*jua kali*" manufacturers operate outside the system, and there is also a significant use of counterfeit KEBS standards marks. A bill to address this is before parliament. Also, KEBS lacks the capacity to police their standards effectively, so little follow up on this is carried out
- It was reported by an industry representative that the S mark standard for meat products had been downgraded three times because many local manufacturers could not meet the standards that had been set
- There is very little public awareness amongst consumers at all levels regarding these various standards and what they mean. More affluent consumers tend to buy brand name products, which they trust and associate with quality and safety, with apparently little understanding of the significance of the certification marks
- In Kenya there are an increasing number of government agencies involved in product and process standard setting, certification, licensing, enforcement and related activities. The manufacturers and some other observers considered that many of these add no value to either consumers or manufacturers - their primary objective seems simply to be to raise revenue
- Payments being demanded by KEBS for compulsory standard certification are currently a highly contentious issue for the manufacturers: various levies are being imposed based on turnover, and in addition manufacturers are now asked to pay fees for every different type of product. Cost of compliance was reported to be high and the manufacturers consider this to be a form of stealth tax
- It was suggested that in both the informal and formal sectors, it may be more effective and appropriate to educate consumers as to the value and importance of standards rather than simply to attempt to enforce them through regulation

Export markets

- Within the East Africa Community, reportedly unjustified 'politically inspired' bans on importation of livestock products from Kenya act as constraints to trade: for example Tanzania will not accept poultry imports; Uganda will not accept beef imports. It would appear that these countries are using international rules as an excuse to ban products due to the presence of certain diseases, whilst these diseases are of course endemic throughout the region
- Some local manufacturers of processed meat products successfully export a variety of products to countries in the Middle East, especially United Arab Emirates/Dubai. This is done on the basis of bilateral trade agreements, supported by their certified accomplishment of both good agricultural practice (by ISO 9000) and HACCP compliance

(which with the GAP compliance is now certified under ISO 22000). This certification is provided under licence from the ISO by companies such as Bureau Veritas. The certification is complemented by independent certification by the veterinary department in Kenya, working with the veterinary departments of the importing countries

- These bilateral agreements may not conform to current international standards and requirements: for example, FMD is endemic in Kenya and the OIE does not recognize the concept of compartmentalisation for this disease - according to the OIE Terrestrial Animal Health Code countries can only export from FMD-free territories or zones. It was emphasised that there had been no reported cases of FMD outbreaks associated with this trade
- It was considered that although pressure is likely to mount from bodies such as the OIE to halt this type of trade and adhere to their international standards, such bilateral trading relationships built on trust, GAP and HACCP principles and supported by ISO 22000 certification, for example, are likely to persist and expand into the foreseeable future

Private and public standards

- Are private voluntary standards anti-poor? One argument was that private standards in Kenya through the use of ISO 22000 facilitated responsible market chains, particularly when fully vertically integrated, which led to competitive production, technical assistance to small producers, employment and opportunities - which was pro-poor. One person considered that the prime purpose of such standards was to exclude certain players, such as the poor, from participation
- It was suggested that it is necessary to differentiate between the private standards being adopted by producers and traders in Kenya to access local and international markets for their livestock products, which are based on ISO 9000 or 22000 and ensure good agricultural practice and HACCP compliance, and those imposed by European supermarkets for horticulture products, which responded to very special demands from their customers. It was suggested that the former are pro-poor, and the latter not. However, it was also noted that European supermarket standards do change rapidly depending on consumer demands, and some of these changes do reflect fair trade type policies for developing country participation in markets
- The respective roles of public and private standards were also debated. It was questioned by some whether public standards should go beyond ensuring compliance with basic safety and hygiene standards: higher quality levels and other values (social equity, environmental soundness, enhanced welfare etc) should perhaps be the preserve of private voluntary standards
- It was noted that Kenya has committed to implement various international standards although some of these are unrealistic and unobtainable
- The OIE's approach to standards for livestock products was noted to be based on complying with a 'gold standard' or not trading, with no accommodation for pragmatic bilateral deals of the type currently being practiced between Kenya and its meat product importing customers on a willing buyer/willing seller basis

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ANNEX 2: SUMMARY REPORT ON AN INFORMAL DISCUSSION FORUM: HOW APPROPRIATE ARE CURRENT STANDARDS AND CERTIFICATION SYSTEMS FOR DOMESTIC, REGIONAL AND INTERNATIONALLY- MARKETED LIVESTOCK PRODUCTS IN THE SOUTHERN AFRICA?

Farm Inn, Pretoria, 4th March 2009

Introduction

An informal, one-day meeting convened by Brian Perry on behalf of FAO was attended by eight invited participants who together represented commercial livestock producers, exporters and industry from Botswana, Namibia and South Africa; major South African food retailers; the South African veterinary authority and independent consultants. Also present was a Rome-based representative from FAO's Pro-Poor Livestock Policy Initiative. See appendix for list of participants and contact details.

To encourage frank and open discussion, the meeting was conducted on the principle of 'consultation without attribution', i.e. neither in this report nor elsewhere will comments or opinions expressed during the meeting be attributed to individual participants.

Objective

The broad objective of the meeting was to address the question: how appropriate are current standards and certification systems for domestic, regional and internationally-marketed livestock products?

How appropriate are the current standards applied at different market levels; how can we ensure that standards both protect the public at large by ensuring product safety, but at the same time are not prohibitive to competitive and quality-conscious smallholder producers, to developing country production conditions and to national aspirations for exploiting livestock resources to promote sustainable and inclusive growth (also referred to as pro-poor growth)?

The main points to arise during the meeting were:

Production and marketing systems

The Economic Partnership Agreement between the EU and ACP countries replaces the non-reciprocal trading arrangements between these two blocks covered by the previous Lome Convention and Cotonou Protocol, which operated under waivers from the WTO and expired at the end of 2007. Under the previous agreements, some southern Africa countries enjoyed preferential access to the EU beef market under a quota system, subject to meeting strict SPS requirements.

The stated objectives of the EPA are to 'foster development' and gradually integrate the ACP countries into the global economic system, by complying with WTO rules. The EPAs are based on regional trade groupings; in southern Africa seven countries signed the interim SADC-EPA in late 2007 or early 2008: Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Tanzania. South Africa did not sign citing concerns about potentially negative impacts on regional integration and national development objectives. The SADC-EPA allows Duty Free Quota Free (DFQF) access to the EU for a wide range of goods, including beef, subject to meeting strict SPS requirements. Eventually the DFQF arrangement will become reciprocal with the EU's goods and services enjoying access to the SADC markets.

Botswana: Beef is the second most important export from Botswana (after diamonds). Export-focused cattle production has had a relatively long history, having been established by the colonial government more than 50 years ago. Although agriculture contributes relatively little to GDP (1.6% compared to 36% from mining in 2007), two-thirds of the country's rural population depends on agriculture with livestock playing a central role in rural livelihoods. Three-quarters of the country's cattle owners are smallholders owning less than 20 head, and the national herd is approximately three million strong. Botswana has 580,000 square kilometres of rangeland.

The state-owned Botswana Meat Commission (BMC) is the sole exporter of chilled, vacuum-packed beef cuts, frozen deboned beef and various canned beef products. It runs an integrated operation including abattoirs, canning plants and tanneries in Botswana, and a range of subsidiary companies in the UK and other parts of the EU, and also South Africa, dealing with transport, cold storage, marketing, sales, investments etc. Exports are mainly to the EU (restricted to deboned beef and veal due to EU-imposed FMD precautions) and South Africa. FAOSTAT data indicates that in 2006 Botswana exported 9,545 tonnes of meat worth US\$ 37.7 million. BMC obtains half of its 150,000 head per year throughput from 80 large-scale commercial feedlot operators and half from 12,000 smaller scale farmers who each supply up to 200 head per year. It is estimated that an equal number of animals are consumed domestically as are exported.

A controversial issue is the extent to which the low price paid by the BMC, which enjoys a monopoly on exports, is responsible for diversion of cattle to the rapidly growing domestic market. Under the now expired export quota system, Botswana was never able to fulfil its quota (18,916 tons of boneless beef and veal under the EU Beef and Veal Protocol): between 1994 and 2006, Botswana fulfilled on average 55% of its quota due to environmental constraints and lack of high quality animals that can yield the premium cuts required. BMC is currently operating at less than half of full capacity.

The commercial feedlots obtain their cattle as weaners from the small-scale/communal farming sector. The commercial sector is considered to be operating at full capacity and growth opportunities lie largely within the small-scale/communal sector. A major challenge is considered to be getting small-scale farmers to appreciate the relative value of rearing and selling weaners to the feedlot operators versus producing mature oxen for the local market. Lack of fencing in the communal sector is also considered to be a big challenge, especially with regard to disease control, in particular FMD.

Unlimited access to the EU, the world's highest-priced beef market, under the SADC-EPA DFQF arrangement, is considered by the Botswana Cattle Producers Association to be an outstanding opportunity. The effective shutting out of Brazil from the EU beef market over concerns about the scale of output from 'certified' FMD-free zones, and the subsequent 30% increase in beef prices in the EU, makes this opportunity even more attractive. In addition, delinking of EU CAP subsidies from production has led to a decline in the amount of beef produced within the EU (according to the EU's Livestock and Meat Commission, production of beef by the EU-27 is forecast to decrease by 6% between 2007 and 2014; during the same period consumption will decrease by 3%. The net effect is that imports will rise by 27% to 750,000 tonnes by 2014).

In addition to cattle, Botswana also has a valuable wildlife resource which attracts an international tourist trade. The need for fencing to create disease-free zones puts cattle rearing in conflict with wildlife-based tourism and biodiversity conservation.

There is a 40% tariff on all beef imports into the Southern African Customs Union (SACU) region. There is an opportunity cost to beef consumed domestically in Botswana, which would be worth 30-40% more in the EU (assuming quality standards could be met). One option, which is currently not under official consideration, would be to export all Botswana beef and import cheaper beef on the world market for domestic consumption.

For disease control purposes, Botswana is divided into FMD-free zones, buffer/surveillance zones and vaccination zones, together with cattle-free zones in national parks (see map1). Veterinary cordon fences, barriers and a permit system limit movement of cattle and wildlife and restrict marketability of cattle. Cattle can only be exported to the EU from the FMD-free zones; cattle from the vaccination zone need to be quarantined for 21 days before slaughter and the deboned meat needs to be frozen for another 21 days before it can either be sold in the domestic market or exported to South Africa.

Namibia: Export-oriented livestock production is the major activity in Namibia's agriculture sector. The national herd consists of around 2 million cattle, 2.6 million sheep and 1.6 million goats. To protect its export market, Namibia is divided into an FMD-infected area (the Caprivi strip which has wild buffalo populations and open international borders), a buffer zone, a surveillance zone and FMD-free zones, with a livestock- and game-proof fence dividing the FMD-free zone to the south from the other zones in the north (see map 2). Communal livestock areas largely occur north of the fence, while both communal and commercial farming areas occur south of the fence.

Agents for South African feedlots buy weaner cattle from both communal and commercial farmers to the south of the fence: between 150,000 and 210,000 weaners are purchased annually through both the auction system and 'permit days' (where a single buyer purchases animals at a pre-determined price), with 60% being sourced from communal and 40% from commercial farmers. In addition 1.2 million sheep sourced from small and large-scale farms to the south of the fence are slaughtered annually and exported to South Africa as carcasses. Deboned, chilled and frozen sheep meat is also exported to Norway. Some 250,000 live goats are exported annually to traditional markets in KwaZulu-Natal. Springbok and occasionally some other game meats are also exported to South Africa and the EU. Overall, 80% of Namibia's livestock production is exported; the domestic market is not prioritized.

There are one million cattle in the communal areas north of the fence where off-take rates are low. For animals to the north of the fence, Angola will accept imports of live cattle subject to observance of quarantine arrangements but irrespective of the FMD-status. For export to South Africa, all animals from north of the fence have to undergo a 21 day pre-slaughter quarantine (during which animals tend to lose weight and drop in grade) and an additional 21 day post-slaughter period prior to export. European markets will only accept imports of deboned meat from the southern FMD-free zone.

South Africa: South Africa is a net importer of both meat and livestock on the hoof. In the formal sector, 85% of beef is produced in feedlots: less than 5% of weaners are sourced from small-scale farms in the country; Namibia supplies up to 210,000 weaners per year to South African feedlots. Feedlot beef is reared using growth hormones. South African consumers in the formal sector are largely ignorant of production practices: they are unaware, for example, that most of their meat is feedlot reared.

The amount of poultry sold in the formal sector is equal to the amount of all other types of meats combined: frozen poultry, much of it imported from Brazil, is used as a 'loss leader' to attract customers into supermarkets at all levels; fresh poultry is locally produced in the intensive commercial sector.

It was estimated that some 70% of meat is purchased from formal markets. The informal livestock production sector, where an estimated 45% of cattle are found, is largely uninvolved in formal livestock marketing or the formal meat trade. Motivation for keeping livestock in this sector is thought to be largely non economic: livestock represent wealth and status, and serve important insurance functions, as well as playing socio-cultural roles, such as for slaughter during funerals. There is a major difference between South Africa and its neighbours Botswana and Namibia where small scale livestock farmers are effectively and actively engaged in the formal livestock marketing system; in South Africa they are not.

Standards and certification

Botswana and Namibia: In Botswana, under the Meat Inspection Act, an attempt was made to force all abattoirs to meet international standards. This resulted in a national outcry and widespread concern over the implications for traditional slaughter practices, for example during weddings. The authorities backed down; today just four abattoirs meet the EU's standards.

From an export perspective, standards are largely driven by OIE and EU, but the EU's standards are more exacting. For example, OIE regulations allow for export of meat on the bone from the 'green' (FMD-free without vaccination) zone but the EU will only accept de-boned meat from this zone, and no exports at all from the 'red' zone. This puts these countries at a competitive disadvantage compared to exporters such as Australia that can export legs of lamb and other high-value bone-in cuts. The export rules have resulted in a reported price differential for cattle either side of veterinary cordon fences: in Botswana this difference amounts to Pula 2000 per head (more than US\$ 240 at March 2009 exchange rates). This provides a powerful incentive to smuggle animals out of the red zone with potentially serious implications for the disease status and export trade.

The EU is considered to discriminate against southern Africa: for example, it accepts exports from South America from both FMD-free and FMD-free with vaccination zones. In addition, in southern Africa the EU will not allow sale of red zone beef in the green zone, which has the affect of diverting livestock from the more valuable export market to the lower priced domestic market in the respective zones. The EU conducts its own audits of export facilities using inspectors sent from its Food and Veterinary Office, located in Dublin. The EU's ban on export of bone-in meat from the green zone and the total ban on exports from the red zone are considered to have severe economic impacts on livestock producers in the region.

Advocates of a commodity-based trade approach for meat are beginning to make progress. Recently, the UK's DFID commissioned the Institute for Animal Health's Pirbright Laboratory to undertake a study to investigate the risk associated with deboned, matured beef. The commodity-based trade approach could potentially open up the red zones of Botswana and Namibia to exports to the EU.

Botswana has recently approached the fair-trade movement with a view to developing fair-trade meat products: to date there are no fair-trade livestock products.

South Africa: The beef grading system is driven by the feedlot production system: grade A beef must have white not yellow fat; grass-fed beef will have yellow fat. This situation is regarded as 'protectionism' by feedlot industry. The grading system acts as a disincentive to emerging farmers to engage with formal market and acts to exclude animals with good eating qualities (but a low grade and therefore lower price) from the market - which is a contributory factor to the current shortage of beef in the country.

There have been various government-backed schemes to encourage emerging farmers to engage with the formal livestock and meat market but these have largely been failures. The retailer Pick n' Pay has recently embarked on its own projects but these are still at an early stage.

The new Consumer Goods Act places responsibility for the safety of all goods sold on the retailer, which effectively means this responsibility is being transferred from government to the private sector. Some requirements are impossible to comply with: e.g. foodstuffs must be labelled to show they are GMO-free, but there is no way of testing for this. Retailers now require all their suppliers to undergo audits to ensure compliance with their standards. The South African Bureau of Standards plays no role in standards for fresh or frozen meat, but is developing standards for canned meat products.

Meat standards are driven by the private standards applied by the major food retailers. Food safety is a given and is not used as a marketing tool. Recently animal welfare, especially related to predation of livestock by large predators, has emerged as a big issue although this is actually driven by a vocal minority of consumers: the vast majority of consumers just want cheap meat. It is, however, currently impossible to certify 'predator-friendly' production practices and so no label claims can be made in this regard.

All poultry and a minority of other meats sold in the formal sector in South Africa are labelled halal: this is a much simpler issue than animal welfare and is certified by three competing halal certification bodies.

Woolworths are currently reviewing standards and practices of transportation of livestock by their producers.

Product endorsements, for example by the national heart association, are considered to be costly: Pick n' Pay, for example, prefers instead to promote their own brand products.

Some producers associations have introduced their own standards schemes: e.g. the National Wool Growers Association's 'Code of Best Practice', which while targeted at the wool industry also includes standards for meat. Similarly there is the Premier Pork Producers 'Quality Assurance System'. The Red Meat Producers Organization is currently in the process of finalizing a code of best practice for red meat producers.

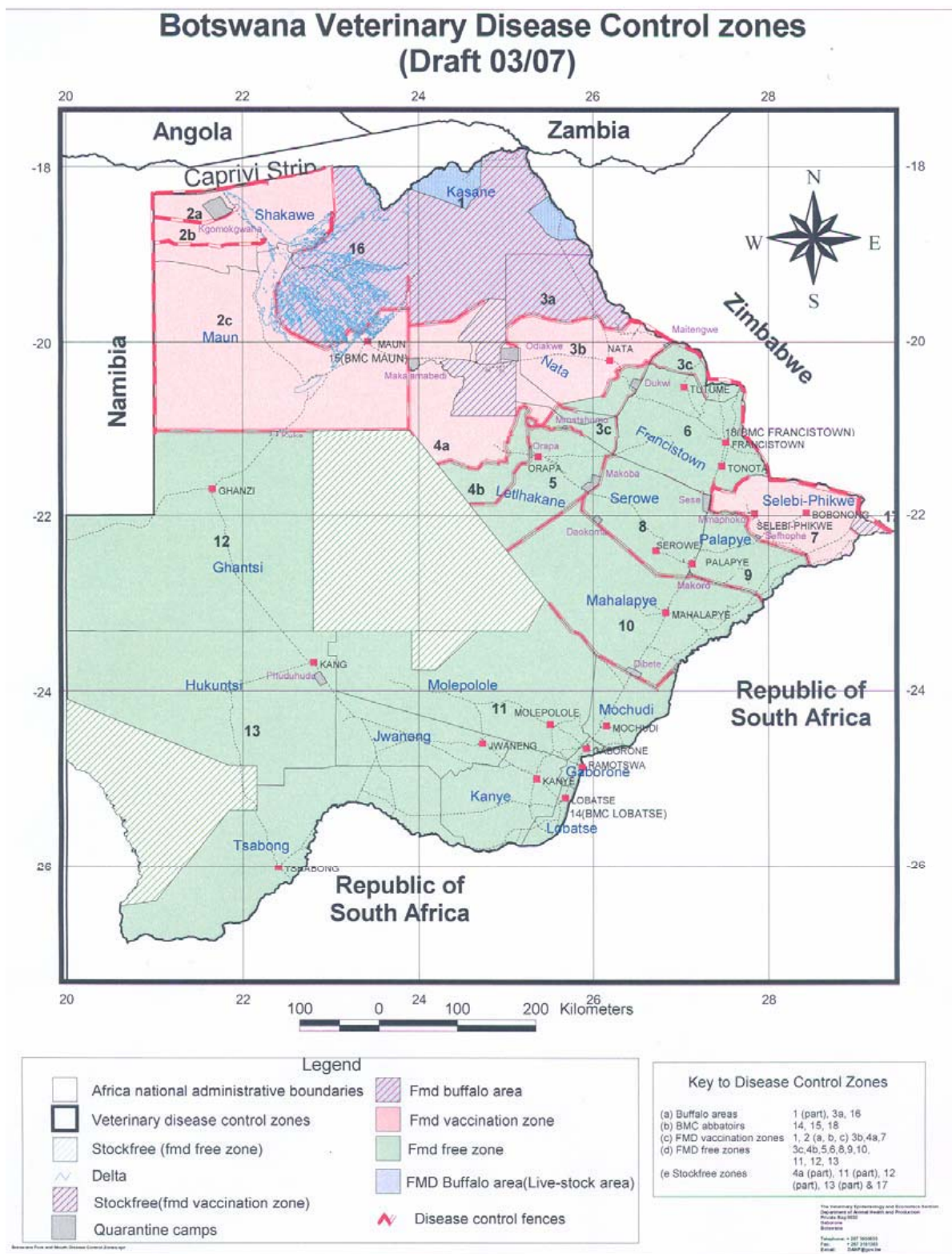
The vast majority of abattoirs in South Africa have no interest in raising their standards and the government is apparently unable to enforce even basic standards, such as those prescribed under the Meat Safety Act. This is considered to be because they can sell all the meat they process and have no interest in meeting the higher standards required by the high-end retailers. Woolworths purchases its meat from just five abattoirs which have to meet its more exacting private standards. The absence of a meat export trade means that export-driven standards are not a factor in raising domestic standards.

Traceability is an important issue for the retailers: they are able to trace back carcasses to individual farms, but for processed meat/cuts these can only be traced back to slaughter batch level. HACCP is voluntary in South Africa and few facilities are accredited. Attempts to address deficiencies in legislation and regulations for abattoirs, including the establishment of an independent meat inspection agency within the Ministry of Agriculture, have made little progress over the past nine years or so. In the past, conflicts of interest have occurred when meat inspection was the responsibility of employees of the abattoirs who were under pressure to pass meat as fit for consumption.

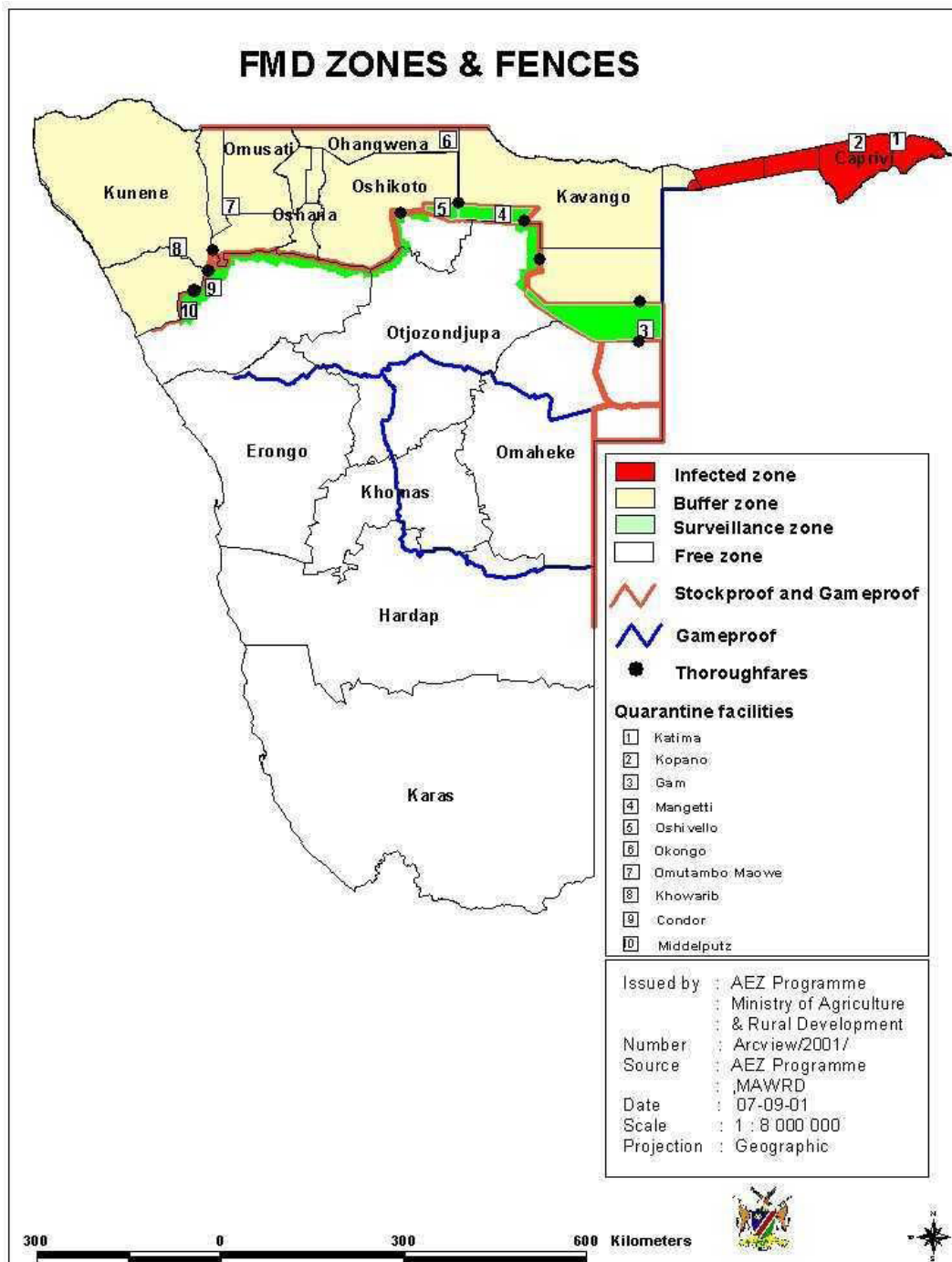
Summary of issues raised:

- Potential of commodity-based export trade to expand market opportunities, especially for livestock in the red zones of Botswana and Namibia
- Monopoly of BMC distorting market prices
- Discrimination by EU against southern Africa compared to South American meat exporters, especially with regards to sheep meat
- Lack of engagement of the informal livestock sector/emerging farmers in South Africa in the formal livestock and meat marketing system
- Distortion of formal market by beef grading system in South Africa, which favours feedlot producers
- Shortage of beef in South Africa for formal market
- Lack of incentives for South African abattoirs to improve their standards and inability of government to enforce even basic standards

- Despite being a net importer, the potential for an export market focus in South Africa to provide incentive for both a rise in domestic standards and the greater engagement of emerging farmers
- Emergence of animal welfare as a consumer-driven issue, albeit by a vocal minority, especially for control of large predators
- Plethora of initiatives and fora in South Africa focused on meat standards, etc but without commensurate progress



Map 1 : Botswana Veterinary Disease Control Zones



Map 2: FMD Zones and Fences

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